

Message Text

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PAGE 01 BELGRA 05638 241605Z

41

ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 SSO-00 EB-07 COME-00 STR-04

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FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC NIACT IMMEDIATE 4540

UNCLAS BELGRADE 5638

PLEASE PASS RAY ALBRIGHT, EXIMBANK, UPON RECEIPT

E.O. 11652: NA

TAGS: EFIN YO

SUBJ: YUGOSLAV ECONOMIC SITUATION

REF: STATE 249160

1. EMBASSY HAS EXTRACTED LATEST TRENDS FROM PUBLISHED UNOFFICIAL SOURCES AND CONVERSATIONS WITH YUGOSLAV ECONOMIC OFFICIALS. FOLLOWING INFORMATION IS PRELIMINARY AND EXIM MAY WISH TO CONSOLIDATE INFO WITH BELGRADE A-347.

2. INTERNATIONAL ACCOUNTS

A. NINE-MONTH ESTIMATES: TOTAL VALUE NINE MONTH EXPORTS, \$2.9 BILLION. TOTAL VALUE NINE MONTH IMPORTS, \$5.7 BILLION. THIS IS 4 PERCENT INCREASE IN EXPORT VALUE COMPARED TO FIRST NINE MONTHS 1974 AND 5 PERCENT INCREASE IN IMPORT VALUE FOR SAME PERIOD. PHYSICAL VOLUME OF BOTH IMPORTS AND EXPORTS HAS DECLINED IN 1975 COMPARED TO 1974. ACCORDING TO EKONOMSKA POLITIKA EXPORTS WERE 4 PERCENT LOWER IN SEPTEMBER THAN IN AUGUST AND IMPORTS WERE 14 PERCENT LOWER IN SEPTEMBER THAN IN AUGUST. FOREIGN TRADE BY UNCLASSIFIED

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PAGE 02 BELGRA 05638 241605Z

REGION FOR FIRST NINE MONTHS 1975 COMPARED TO FIRST NINE

MONTHS 1974 SHOW ABOUT 23 PERCENT DECLINE IN VALUE OF YUGOSLAV EXPORTS TO DEVELOPED MARKETS, 21 PERCENT INCREASE IN EXPORTS TO EASTERN EUROPEAN COUNTRIES, AND 63 PERCENT INCREASE IN EXPORTS TO LDC'S. ON IMPORT SIDE, NINE MONTH IMPORTS FROM DEVELOPED COUNTRIES ROSE 6 PERCENT, FROM EE COUNTRIES IMPORTS GREW 9 PERCENT, AND IMPORTS FROM LDC'S DECLINED 6 PERCENT.

B. TRADE DEFICIT: ACCORDING TO PRIVREDNA PREGLED, THIRD QUARTER SLOWDOWN IN BOTH EXPORTS AND IMPORTS LED TO SOME IMPROVEMENT IN TRADE PICTURE. YUGOSLAVIA'S NINE MONTH TRADE DEFICIT OF 2.8 BILLION DOLLARS IS SLIGHTLY HIGHER THAN 1974'S NINE MONTH TRADE DEFICIT OF 2.7 BILLION DOLLARS.

C. CURRENT ACCOUNT: NO RELIABLE DATA HAS APPEARED ON RECENT INVISIBLE FLOWS, BUT EMBASSY HAS BEEN TOLD BY KNOWLEDGEABLE OFFICIALS THAT TOURIST EARNINGS WILL BE UP ABOUT 15 PERCENT FOR THE YEAR AND WORKERS' REMITTANCES SHOULD GROW ABOUT 7 PERCENT. YUGOSLAVIA HAS CLEARLY HAD A BETTER THAN ANTICIPATED TOURIST SEASON WITH FOREIGN OVERNIGHTS UP AN ESTIMATED 7 PERCENT OVER 1974. YUGOSLAVS FORECAST CURRENT ACCOUNT DEFICIT AT LEAST EQUAL TO 1974'S \$1.2 BILLION. CURRENT RESERVE LEVEL REPORTEDLY ABOUT \$1.25 BILLION.

3. OIL DEFICIT

YUGOSLAVIA PRODUCES ABOUT ONE THIRD OIL REQUIREMENTS DOMESTICALLY. IN 1975 YUGOSLAVIA REPORTEDLY IMPORTED 4.5 MILLION TONS OF OIL FROM IRAQ ON CREDIT. WHILE USSR ALSO PROVIDES YUGOSLAVIA WITH ABOUT 30 PERCENT OF TOTAL OIL REQUIREMENT, THIS IS PAID THROUGH CLEARING ACCOUNT. YUGOSLAVIA PLANS DRAW FULLY AS POSSIBLE ON IMF OIL FACILITY IN 1975.

4. INTERNAL GROWTH RATES

A. INDUSTRIAL PRODUCTION: NINE MONTH VOLUME OF INDUSTRIAL PRODUCTION IS 6 PERCENT HIGHER THAN JANUARY-SEPTEMBER 1974. INDUSTRIAL PRODUCTION GREW 4.6 PERCENT IN SEPTEMBER
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PAGE 03 BELGRA 05638 241605Z

COMPARED TO SEPTEMBER 1974; AND SEPTEMBER 1975 GROWTH WAS 7.9 PERCENT HIGHER THAN AVERAGE OF 1974. COMPARED WITH 1974 HIGHEST GROWTH HAS OCCURRED IN LEATHER AND FOOTWEAR, METALS, RUBBER, FERROUS METALLURGY, CHEMICALS, ELECTRICAL EQUIPMENT, AND NON-METALS. POOREST PERFORMANCE IS IN TOBACCO, FOOD PROCESSING, PRINTING AND TIMBER. OVERALL INVENTORIES ARE UP ABOUT 25 PERCENT OVER THE FIRST NINE MONTHS OF 1974 AND THEY ARE ESPECIALLY HIGH IN TEXTILE,

FURNITURE AND ELECTRICAL EQUIPMENT.

B. INVESTMENT: LITTLE ADDITIONAL DATA IS AVAILABLE ON INVESTMENT SPENDING BEYOND THAT IN BELGRADE A-347. IT IS TOO EARLY TO SEE EFFECTS OF INVESTMENT CONTROLS ADOPTED DURING SUMMER.

C. INFLATION: RETAIL PRICES ROSE .3 PERCENT IN SEPTEMBER-- ONE OF THE LOWEST GROWTH MONTHS IN 1 1/2 YEARS. OVERALL THE NINE MONTH COST OF LIVING INDEX HAS RISEN ABOUT 25 PERCENT COMPARED WITH THE FIRST NINE MONTHS OF 1974. STRUCTURE OF NINE MONTH COST OF LIVING INDEX IS FOOD UP 23.6 PERCENT; TOBACCO AND BEVERAGES UP 36.4 PERCENT CLOTHING AND FOOTWEAR 23.9 PERCENT; RENT 30.3 PERCENT; HEALTH 26.2 PERCENT; CULTURE AND ENTERTAINMENT 30.8 PERCENT; TRANSPORTATION AND PTT SERVICES UP 15 PERCENT. YUGOSLAV ECONOMIC OFFICIALS HAVE TOLD EMBASSY THEY CONFIDENTLY EXPECT FURTHER SLOWING OF PRICE RISES IN FINAL QUARTER OF YEAR.

D. AGRICULTURE: YUGOSLAVIA WILL APPARENTLY HAVE RECORD CORN HARVEST IN 1975. OFFICIALS ESTIMATE IS OF 9 MILLION TONS, WHICH MAY ALLOW FOR SOME EXPORT.

E. EMPLOYMENT AND PRODUCTIVITY: EMPLOYMENT HAS GROWN OVER 5 PERCENT IN FIRST NINE MONTHS OF 1975 ALTHOUGH THE NUMBER OF UNEMPLOYED HAS ALSO INCREASED. LABOR PRODUCTIVITY INCREASED ONLY 1.1 PERCENT IN THE FIRST EIGHT MONTHS OF 1975.
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